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TAGS: [EAGR](#) [FAIR](#) [ELTN](#) [ETRD](#) [IT](#) [SENV](#) [TBIO](#) [TSPA](#) [EUN](#)
SUBJECT: USEU VISIT: ITALY'S MANAGEMENT OF ECONOMIC ISSUES
DURING ITS EU PRESIDENCY

Classified By: Economic Minister Counselor Scott Kilner for Reasons 1.5
(B,D)

11. (C) Summary. In the interest of repairing U.S.-EU relations during its upcoming EU presidency, the GOI plans to manage existing U.S.-EU trade disputes as well as the ongoing WTO trade talks in a way that will emphasize the positive. Pro-biotech elements within the GOI express hope that EU Parliamentary approval of traceability and labeling rules will dampen anti-biotech Agricultural Minister Alemanno's influence on the issue; some GOI officials speculate the U.S. request for WTO consultations over the EU moratorium on approvals may finally push the GOI to adopt a unified biotech policy.

12. (SBU) The GOI is cautiously optimistic on prospects for the Doha trade round, especially if CAP reform spurs forward movement on the agricultural side of the talks. A solution to the TRIPS/Access to Medicine issue is seen as essential for the Cancun ministerial to avoid being termed a failure. Italy will use its EU presidency to push greater protection under the WTO for geographic indications. However, the GOI appears inclined to defer extensively to the European Commission on most other aspects of the Doha agenda, including preparations for the September WTO Ministerial Conference in Cancun. FSC, steel, and the EU chemical policy will all require particular attention. The GOI supports a greater industry role in the formulation of the chemicals policy.

13. (SBU) Italy plans to hold a joint meeting of EU Environment and Energy Ministers, as part of its strategy to "introduce more economics into EU environmental policy." Carbon sequestration and the hydrogen economy are also high on the Italian agenda. Key transport priorities are financing infrastructure and Galileo. While responsibility for Galileo within the EU is divided among the telecoms, transport and research councils, the GOI expects the M-code decision to go to the European Council. In Italy, the Ministry of Research has the lead, but final decisions on Galileo are expected to be made by the Prime Minister. End summary.

14. (U) USEU Economic Minister Counselor Anne Derse and Trade Policy Attache Christopher Wilson visited Rome May 27-28 to preview with the GOI and Embassy staff trade, economic and environmental issues that will be active during Italy's upcoming EU presidency. Derse and Wilson, accompanied by Embassy econ officers, met with officials at the Foreign Trade Office of the Ministry of Productive Activities, as well as the Ministries of Environment, Finance, Foreign Affairs, and Transport. A session with Ambassador Nicholson and his staff at the U.S. Embassy to the Holy See was a useful exchange on further engaging the Vatican to play a constructive role in the continuing debate over the use of agricultural biotech, particularly in the developing world. Agricultural Biotech

15. (C) Federico Eichberg, senior advisor to Foreign Trade Vice Minister Adolfo Urso, openly lamented the continued lack of a coherent GOI position on agricultural biotech. The Foreign Trade/Ministry of Productive Activities, along with the Ministries of Health and Environment, generally shared U.S. views on biotech products, but anti-biotech Agriculture Minister Alemanno continued to exert significant influence within the GOI. Eichberg expressed the hope that the pro-biotech ministries will gain influence once new traceability and labeling rules are approved by the European Parliament, perhaps by November. While noting that the EU moratorium on biotech approvals (and the GOI's Amato decree that banned four varieties of U.S. corn in 2000) is a separate issue from the implementation of new traceability and labeling rules, Eichberg was hopeful a mutual resolution could be realized. Wilson responded that continuing movement towards resuming the EU approvals process will be helpful as the WTO process moves forward in the next few months, but he cautioned against the imposition of additional conditions by some member states in exchange for lifting the moratorium.

16. (C) Environment Ministry International Affairs Director General Corrado Clini viewed the U.S. request for

consultations as a positive step in that it will pressure the EU towards resolution. He also believed the GOI might finally be pushed towards a unified policy, implying that Alemanno would no longer dominate the issue within the government. He views France and Austria as the most intransigent foes of biotech, and that French opposition is a purely protectionist policy to keep U.S. imports from harming French agricultural interests (unlike Italy, where significant public opposition to GMOs drove the policy of officials like Alemanno). Clini believed the prospective conciliation process for the implementation of new traceability and labeling rules has been made more difficult by the U.S. consultations request. Massimo Gaiani, of the MFA's European Integration Bureau, told us that the GOI awaited the results of the EU Parliament's second reading on new traceability and labeling rules, and is concerned that amendments to the legislation are extremist and not in line with the EC common position. He also noted concern that lack of progress in WTO consultations this summer could encourage the adoption of such amendments, further complicating the (potential) conciliation process. Gaiani added that he believes the European Commission will continue to defend the common position. Derse responded that the U.S. continued to have concerns about the EC common position itself, not to mention some of the more extremist amendments that have been put forward by the EU Parliament. Gaiani echoed Clini and Eichberg in noting that pressure on the EU to resolve the biotech issue, particularly during the course of the Italian presidency, could spur creation of a common GOI position.

17. (C) Ambassador to the Holy See James Nicholson told Derse and Wilson that the Vatican was moving closer to U.S. views on biotech, though he noted that opinions varied among Vatican officials and local bishops. There is widespread belief that the EU's concerns are largely politically based, rather than motivated by health or environmental concerns. The Vatican's Pontifical Council had found no reason not to use biotech foods and, though calling for adequate precautions, they do appear to be on the right side of the issue from a scientific standpoint. Ambassador Nicholson noted an upcoming visit of an African cardinal that could usefully link economic development in Africa with greater acceptance of agricultural biotech products.

WTO/Doha Round and Cancun Ministerial

18. (SBU) Eichberg conveyed GOI concern that the September Cancun ministerial not be overloaded with issues to resolve. He said the recent positive movements toward CAP reform were welcomed by the GOI (including Alemanno) and there was hope that subsequent agricultural market access talks would be more fruitful. He also thought positive movement on non-agricultural market access (NAMA) might help the agricultural talks. Wilson noted that the U.S. viewed CAP reform as a positive step, though there were significant market access issues remaining to be resolved. We would miss the end-May deadline on a modalities paper for NAMA, but the U.S. was not pessimistic about making further progress in those talks. Eichberg noted that the GOI was not overly concerned about deadlines. He was optimistic the 2005 deadline for concluding the round was possible, but we should not be concerned if it slips some.

19. (SBU) On TRIPS/Medicine (an issue of particular concern to Vice Minister Urso) Eichberg expressed some confidence that resolution was attainable, he hoped before Cancun. He suggested that announcement of such a resolution during the Cancun meeting would generate positive coverage and dampen "no-global" sentiment. Wilson agreed that resolution of the issue before Cancun would be necessary to keep it from dominating the meeting, and he was hopeful that the G-8 summit would create an environment that would facilitate resolution.

110. (SBU) Increased protection of geographic indications within the WTO remains a key GOI concern, and Eichberg said that the issue will be prominent on the trade agenda during Italy's presidency. Eichberg noted that such concern is based on the notion of providing consumers with greater knowledge about, and access to, quality products, and on protecting the many small producers of such products through a system that would not entail the burdensome costs of

registering and enforcing trademarks. Eichberg told us the GOI has discussed with the EC a possible strategy of imposing a limit on the number of GIs for wines and spirits in exchange for full market access and reciprocity for other GIs. He also suggested linking GI protection with different forms of protection, such as trademarks. Italy would also

provide technical assistance to developing countries to enable them to provide greater protection of GIs. Wilson cautioned that the U.S. and EU positions on GIs remained far apart (and Cairns Group members were perhaps even further from the EU position).

U.S.-EU Bilateral Trade Issues

11. (SBU) In the interest of bringing Transatlantic relations back on track, the Foreign Ministry's Gaiani told us the GOI will work to prevent both the creation of new trade disputes and the worsening of existing disputes. In addition to biotech, he pointed to steel and FSC as two areas of particular concern. Wilson noted that a decision by the WTO on the U.S. appeal to the earlier WTO decision on the U.S. steel safeguards, along with the U.S. mid-term review of the safeguards, would both take place in the fall. He did not want to assume the outcome in either case, and added that the U.S. was pleased at the progress on steel capacity talks at the OECD. On FSC, Gaiani suggested that we keep in close touch on the progress of remedial legislation in Congress. He cautioned the EU may have little maneuvering room in the implementation of retaliatory measures absent clear progress in Congress.

12. (U) Derse mentioned to Gaiani and Eichberg the U.S. interest in revitalizing the Transatlantic Business Dialogue. One impediment was finding leading EU companies willing to play an active role in the TABD. Gaiani said he has been in touch with the Italian business confederation Confindustria about this problem, and the Italian Embassy in Washington was also working on identifying and encouraging potential companies.

Environmental Issues

13. (SBU) Clini noted that the Italian Presidency hopes to introduce "more economics into EU environmental policy". He added that Italy plans to hold a joint meeting of EU environment and energy ministers during its presidency. He also told us a successful COP-9 meeting in Milan is a key GOI environmental priority during its EU presidency. He noted the GOI was also very interested in the upcoming Carbon Sequestration Leadership Forum (he will not attend, but hopes a deputy from his ministry will be able to do so). He expressed some doubts about the benefits of carbon sequestration in Italy, given the dominance of small and medium enterprises. Derse suggested hydrogen economy as another area where EU-U.S. cooperation could yield useful results much faster than if either worked alone. Clini noted that a debate was reopening within the EU regarding the extent to which the EU should rely internally on flexible mechanisms or solely domestic actions. In his view, the Germans and Swedes favored mainly domestic action, while others are advocating more flexible mechanisms.

14. (SBU) Clini said the ongoing EU effort on formulating a new chemicals policy should be jointly managed by the EU Competitiveness Council and the EU Environmental Council. Derse said the U.S. would welcome such a development, given the Competitiveness Council's attention to economic concerns. She noted the U.S. was carefully considering the current EU chemicals proposal and would be submitting comments to the EU. Clini suggested that the U.S. consider a strategy to manage the chemicals regulation through the Italian Presidency. In his view, the Commission should not only be seeking comments from stakeholders, as it is now doing, but should also factor them into the final regulation.

Transport Issues

15. (SBU) Emilio Maraini, Senior Advisor to the Minister of Transport, explained that Italy's top transport priority is financing infrastructure investment. Much transport

infrastructure in existing EU member states, he said, is "near collapse". The situation in the new entrants is even worse.

16. (SBU) There are six key transport areas in which Italy would like to make progress during its presidency:

(1) Unimpeded circulation of goods and people within the EU. The primary concerns here are limits imposed by Italy's neighboring countries (including Austria, Switzerland, France) which are hurting northern Italy's economic growth.

(2) Sustainable development of transport, including balancing modes to emphasize cheaper, less polluting transport.

(3) Financing necessary infrastructure investment. Maraini noted that the Van Miert report on the Trans European Network

concluded that this would require E 500 billion over the next 20 years from the 15 countries of the existing EU, and an additional E 100 billion to E 200 billion from the new entrants. Under Growth and Stability Pact constraints, this can't be done. Options would include: Increasing the EU share of the payment; introducing user fees; private participation and cross funding. The GOI is looking at user fees, combined with interoperable EU toll payment systems.

(4) Transport liberalization, primarily railway and port services.

(5) Transport safety and security, including air, train, road, tunnel and maritime safety. Negotiating EU agreements with the U.S. on a container security initiative and an open skies aviation agreement are key.

(6) Galileo. Maraini said there are several issues to be worked out with the U.S. on Galileo, most crucially the M-code issue. Maraini stressed that this must be resolved before tenders are issued for the industrial part of Galileo. "I think a solution will be found. There is no other option," he offered. Within the EU, Galileo responsibilities are divided into among different councils - telecom, transport and research. Thus, he expects that final decisions on M-Code will have to go to the European Council. Within Italy, Prime Minister Berlusconi will make the final call on the Italian position on M-Code. While there are several ministries involved in Galileo issues within the GOI, the M-Code falls into the competency of the Italian Space Agency, which comes under the Ministry of Research. The Transport ministry is interested in Transport aspects, and in the jobs created. The ministries of Communications, Productive Activities and Foreign Affairs also all have roles.

17 (U) This message has been cleared with USEU.

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